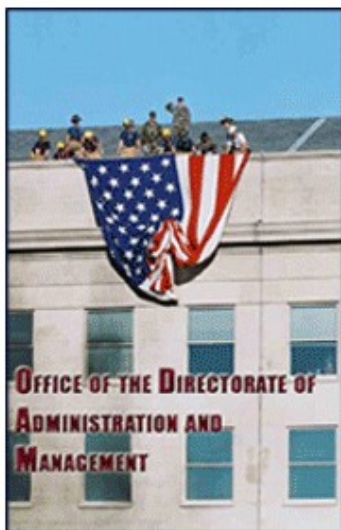




FY 2005 DoD Management Control Program Conference



**January 26-27,
2005**

**Office of the Director,
Administration and Management**



Systemic Weaknesses

“Everything is funny as long as it’s happening to somebody else.” (Will Rogers, 1879-1935)



Systemic Weaknesses

- **Background/Definition**
- **Systemic Weaknesses Reported to Date**
- **Methodology for Addressing Systemic Weaknesses**
- **What's New for 2005**



Systemic vs Material Weakness

What is a Systemic Weakness?

- **Affects More Than One DoD Component;**
- **Has the Potential to Negatively Impact the Performance of the DoD Mission;**
or
- **Has the Potential for Significant Fraud, Waste, Abuse, or Other Violations of Public Trust.**

What is a Material Weakness?

- **Primarily Affects a Single DoD Component;**
- **Has the Potential to Negatively Impact the Performance of the Component's Mission; or**
- **Has the Potential for Serious Fraud, Waste, Abuse, or Other Violations of Public Trust.**



FY 2004 DoD Statement of Assurance

- **The Department Identified 9 Areas That Affect Numerous DoD Components and Are, Therefore, Classified as Systemic Weaknesses in the FY 2004 DoD Statement of Assurance.**
- **Systemic Weaknesses Are Also Reported in the Performance and Accountability Report (PAR).**





FY 2004 Systemic Weaknesses Reported

Previously-Identified Systemic Weaknesses:

1. DoD Financial Management Systems and Processes. (USD(C))

Financial and business management systems/processes are costly to maintain/operate, not fully integrated, and do not provide reliable, timely, and accurate information. Correction Target Date: 4th Qtr, FY 2007

2. Management of IT and Assurance. (ASD(NII))

Information systems vulnerable to information warfare attack. Need to revise security certification/accreditation policy to improve compliance and provide enterprise management capability. Correction Target Date: 3rd Qtr, FY 2007



FY 2004 Systemic Weaknesses Reported

3. Environmental Liabilities. (USD(AT&L))

DoD has not developed proper policy, procedures, and methodologies needed to ensure that cleanup costs for ongoing/inactive or closed operations are identified, consistently estimated, and properly reported.

Correction Target Date: 1st Qtr, FY 2006

4. Personnel Security Investigations Program. (USD(I))

DoD hiring is adversely affected because personnel security investigations are backlogged. Correction

Target Date: 4th Qtr, FY 2006



FY 2004 Systemic Weaknesses Reported

5. Real Property Infrastructure. (USD(AT&L))

DoD has not adequately managed the real property infrastructure to halt deterioration/obsolescence of facilities on military installations. Correction Target Date: 4th Qtr, FY 2006

6. Government Card Program Management. (Travel - USD(C) and Purchase (USD(AT&L)))

Instances of misuse, abuse, and fraud in purchase and travel card use. Inadequate DoD emphasis on proper use of the cards, poorly-enforced controls, and lax oversight. Correction Target Date: 4th Qtr, FY 2006



FY 2004 Systemic Weaknesses Reported

7. Valuation of Plant, Property, and Equipment (PP&E) on Financial Reports. (USD(AT&L))

DoD is unable to accurately report the value of PP&E on its financial statements. Correction Target Date: 4th Qtr, FY 2006

8. Valuation of Inventory on Financial Reports. (USD(AT&L))

The valuation of inventory is not always correctly reported. Correction Target Date: 2nd Qtr, FY 2006



FY 2004 Systemic Weaknesses Reported

Newly-Reported in FY 2004:

9. Improper Use of Non-DoD Contracting Vehicles. (USD(AT&L))

**Non-DoD contracting vehicles have been used
improperly to procure services or supplies.**

Correction Target Date: 2nd Qtr, FY 2006



Methodology for Addressing Systemic Weaknesses in FY 2005 Statements of Assurance

How Do We Handle Systemic Weaknesses?

- **DoDD 5010.38, Management Control Program, Requires That OSD Principal Staff Help Identify/Report Systemic Weaknesses Within Their Functional Areas.**
- **Systemic Weaknesses Occur When:**
 - **Management Control Problems Are Reported By More Than One Component; or**
 - **OSD Principal Staff Identify New Systemic Weaknesses.**



Methodology for Addressing Systemic Weaknesses in FY 2005 Statement of Assurance

Continued...

- **OSD Principal Staff Include New/Existing Systemic Weaknesses in Their Statements.**
- **Format is Same as Material Weakness, Must be Clearly Designated as Systemic Weaknesses, and Placed in Separate Section.**
- **OSD Principal Staff/Field Activity Statements Submitted to Director, Administration and Management, for Consolidation.**
- **NOTE: DoD Coordinator Provides Component Weaknesses to the OSD Functional Proponent.**



Systemic Weaknesses

What's New in FY 2005?



- **The Scorecard will be expanded to Cover Systemic Weaknesses**
- **Applicable to OSD Principal Staff**
- **Methodology: TBD**



Summary of Main Points

- **DoD Reported 9 Systemic Weaknesses in FY 2004; Will Be Reported Out On in FY 2005.**
- **New Ones May Be Added at Discretion of OSD Principal Staff or if Weakness Reported by More Than One DoD Component.**
- **The Scorecard Will Be Expanded to Cover Systemic Weaknesses for OSD Principal Staff in FY 2005.**

